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# “PHILADELPHIA PLAN”

FOR

## Unified Federal Regulation of Railroads

A SPECIFIC PLAN FOR THE CONCENTRATION OF THE  
CONTROL OF THE INTERSTATE CARRIERS OF THE UNITED STATES  
IN THE HANDS OF THE FEDERAL GOVERNMENT

Presented by the

PHILADELPHIA BOURSE

AND

A Program of Basic Regulatory Legislation

Presented by the

Philadelphia Joint Committee

ON THE

Reasonable Regulation of Railroads

REPRESENTING

PHILADELPHIA BOURSE

PHILADELPHIA BOARD OF TRADE

PHILADELPHIA MARITIME EXCHANGE

GROCERS' AND IMPORTERS' EXCHANGE

UNITED BUSINESS MEN'S ASSOCIATION

PHILADELPHIA DRUG EXCHANGE

MANUFACTURERS' CLUB

LUMBERMEN'S EXCHANGE

MASTER BUILDERS' EXCHANGE

PHILADELPHIA, PA.

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# INTRODUCTION

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The effects of Governmental regulation of the interstate railroads of the United States, especially the effects resulting from the dual control of the National Government and of the State Governments, had been under observation by the members of the Committee of Commercial Affairs of the Philadelphia Bourse, as individuals, for several years before the question was officially taken up by them in January, 1915. Convinced that railroad regulation had been carried to such a point as to endanger the stability of the greatest industry of the country, exclusive of agriculture, and that existing conditions demanded action, the Committee made a careful study of the subject from the broad viewpoint of public welfare and submitted its conclusions at a meeting of the principal commercial organizations of Philadelphia, held March 15, 1915. (See Appendix A.)

At a second meeting a month later, duly authorized delegates effected the organization of the Philadelphia Joint Committee on Reasonable Regulation of Railroads and empowered a sub-committee, consisting of the chairmen of the delegations from the several organizations, to study the question of regulation and report its views to the whole Committee. This study included a query among influential commercial organizations in all sections of the country as to their views. The survey required nine months and its results were reported to and approved by the Joint Committee on March 14, 1916. By resolution the delegates advocated "such national legislation or Constitutional changes as will give the National Government the unqualified power to regulate all railroads." Copies of this preliminary report were ordered to be sent to the trade bodies of the country with the request that they co-operate with the Joint Committee in the suggestion and consideration of remedial measures. The sub-committee was directed to continue its studies.

In the meantime the Board of Directors of the Philadelphia Bourse at a stated meeting in December, 1915, formulated a specific plan, predicated on the principle of unified Federal regulation. This was submitted to the Chamber of Commerce of the United States for consideration at its annual meeting February, 1916, and to the Joint Committee of the Philadelphia trade bodies. In its basic features, the plan of the Bourse was included in the pamphlet containing the preliminary report of the sub-committee of the Joint Committee.

Two thousand copies of the pamphlet were issued and they received the widest circulation throughout the United States. Copies were sent to more than 600 business, commercial and traffic

organizations, to the member-organizations, officers and directors of the Chamber of Commerce of the United States of America, to the members of Congressional committees concerned with railroad transportation and legislation, and, in response to special requests, to individual shippers, manufacturers, business men, traffic managers, economists and railroad officials and attorneys. Additional requests came from the Interstate Commerce Commission, the Bureau of Railway Economics, various publications and commercial, financial, university and general libraries.

In May, 1916, the Joint Committee instituted a national publicity campaign, primarily among the shipping and commercial interests, on behalf of unified Federal regulation. It also began an inquiry as to the sentiment of experts of all interests toward the general proposition of exclusive Federal regulation and the specific plan prepared by the Bourse, which became popularly known as the "Philadelphia Plan." The number and character of the replies would indicate that the shippers, the railroads and the public generally are rapidly inclining toward unified Federal regulation as the only practicable solution of the problem. (See Appendix B for excerpts from representative replies.)

In October, 1916, the Philadelphia Bourse further developed its remedial program to make it as explicit and detailed as possible, thereby affording all interests a basis for consideration of reform in regulation. In its final form, this plan was presented by George E. Bartol, president of the Bourse, at the meeting of the National Council of the Chamber of Commerce of the United States in Washington November 17 and 18, 1916.

The sub-committee of the Joint Committee having completed its final study of the field of regulation, authorized in March, 1916, the delegates to the Joint Committee met on November 10, 1916, to receive its report. This took the form of recommendation of four basic regulatory changes, with the suggestion that the Joint Committee urge upon Congress the enactment of legislation necessary to effect them. By resolution, the Joint Committee adopted its sub-committee's plan, subject to ratification by each of the member-organizations. In effect, the Joint Committee incorporated in its program the fundamental principles of the plan of the Bourse and made the so-called "Philadelphia Plan" truly representative of the views of the business interests of Philadelphia, although the Bourse independently sets forth the details as to the enlargement and reformation of the Interstate Commerce Commission, the number and boundaries of the proposed Regional Commissions, etc.

Both the plan of the Bourse and that of the Joint Committee are to be presented to the Joint Committee on Interstate Commerce of Congress, the so-called Newlands Committee, when it resumes its investigation and hearings. The Philadelphia trade bodies are convinced that the commercial interests of the country have an interest in the question of regulation no less important than that of the railroads, that they should advance some definite, constructive suggestions and so far as possible unite upon certain fundamental principles of regulation reform.

It is therefore earnestly requested that every organization of whatever kind which receives this publication give its contents early and thorough consideration. Should any action be taken with respect to the general recommendations by the Joint Committee or the specific plan formulated by the Philadelphia Bourse, it is asked that the Secretary be notified. Unofficial views of organizations or the opinions of individuals will be welcomed.

The following pages contain in the order named:

THE PLAN OF THE PHILADELPHIA BOURSE, OR THE SO-CALLED "PHILADELPHIA PLAN."

A DIGEST OF ARGUMENTS IN ITS SUPPORT PREPARED BY GEORGE E. BARTOL, PRESIDENT OF THE PHILADELPHIA BOURSE AND VICE-CHAIRMAN OF THE JOINT COMMITTEE ON REASONABLE REGULATION OF RAILROADS.

THE PLAN OF THE JOINT COMMITTEE ON REASONABLE REGULATION OF RAILROADS.

ARGUMENTS IN SUPPORT OF THE JOINT COMMITTEE'S PLAN PREPARED BY MALCOLM LLOYD, JR., ESQ., CHAIRMAN OF THE JOINT COMMITTEE AND MEMBER OF THE EXECUTIVE COUNCIL OF THE PHILADELPHIA BOARD OF TRADE.

APPENDICES.

EMIL P. ALBRECHT, *Secretary*,

Joint Committee on the Reasonable Regulation  
of Railroads, and of the Philadelphia Bourse.

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Philadelphia, Pa.



THE "PHILADELPHIA PLAN"  
For Unified Federal Regulation of Railroads  
AS PROPOSED BY THE  
PHILADELPHIA BOURSE

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1. Legislation that will provide for the Federal incorporation of companies engaged in the interstate transportation of goods or persons.

- A. All companies engaged in such service under charters granted by any State, Territory or the District of Columbia to be privileged to apply for and operate under Federal charters without surrender of the rights granted by their State charters, unless such rights are forbidden by their Federal charters, and without impairment of the rights of the several States, Territories or the District of Columbia with regard to taxation of value of real property on such corporations within their borders.
- B. Such taxation of the value of real property by the several States, Territories or the District of Columbia to be uniform.
- C. All companies accepting Federal charters to be subject to regulation by the Federal Government alone.

2. Legislation that will give the Interstate Commerce Commission full, exclusive and sole power to regulate interstate carriers operating under Federal charters, and, in order that the Federal regulatory body may be able to adequately and promptly perform its duties, legislation that will enlarge and reform the Interstate Commerce Commission into Regional Commissions, subordinate to an appellate body, and that will divide the country into Territories or Regions for purposes of railroad regulation.

- A. Each Regional Commission to be composed of seven men and to regulate one of the several regions into which the country shall be divided.
- B. The Regions to be formed with "community interest": i. e., similarity of traffic conditions and needs, industries and general conditions, as the line of demarcation.
- C. The members of the Regional Commissions to be appointed by the President of the United States. Of each Commission, one member shall be a jurist, three shall be business men and three shall be expert railroad men. Each Regional Commission shall elect one of its number as chairman.

D. The Regional Commissions to sit continuously at some central point in their respective districts and to have full power within their respective districts to regulate the carriers operating under Federal charters, with appeal to the appellate body permitted only on questions of principle, questions of nation-wide importance or conflicting rulings of Regional Commissions.

E. The chairmen of the Regional Commissions, together with another person appointed by the President who shall act as chairman, to form the appellate body, known as the Board of Revision and Appeals, which shall harmonize conflicting decisions of Regional Commissions and determine questions of principle and of nation-wide importance.

F. The Board of Revision and Appeals to hold semi-annual sessions in Washington and to maintain offices in that city. The chairman of the Board to be in charge of the offices of the Board and to direct the work of the Board while his colleagues are sitting with the Regional Commissions.

G. Decisions of the Regional Commissions and of the Board of Revision and Appeals to be rendered within sixty (60) days of final arguments.

3. Legislation that will confer definite powers upon the enlarged and reorganized Interstate Commerce Commission and establish definite limits to its authority to the end that the managements of the carriers may know wherein they are free to act and wherein they are subject to a superior control. Among the essential powers to be conferred would be:

A. The adjustment of rates up or down.

B. The settlement of disputes between carriers and their employes as to wages, hours of service or conditions of employment.

C. The correction of inequalities, discriminations or abuses as between the carriers and their patrons.

D. The protection of investors against unwise competition resulting in economic waste.

E. The supervision of issues of securities and such other features as close study of the subject would show to be necessary to protect and safeguard the rights of all the parties in interest; but such powers should not vest in the Commission the triple power of investigation, prosecution and judgment.

4. Legislation that will transfer the powers of investigation and prosecution from the Interstate Commerce Commission to some other agency of Government, such as an Interstate Commerce Bureau of the Department of Justice.

## SIX REGIONS

Primarily to provide a basis for discussion and consideration of the number and boundaries of the Regional Commissions, the following division of the country into six regions has been made. The division is a composite of the eight main freight traffic association territories into which the railroads themselves have divided the country and the five zones established by the Interstate Commerce Commission for regulation purposes in the Inter-Mountain Case. Each district or region is roughly homogeneous in the character of its railroad traffic, industries, general business and problems. The regions follow:

1. **EASTERN REGION**—The New England States; New York east of a line drawn from the Niagara River and Buffalo to the Pennsylvania line southwest of Salamanca, N. Y.; Pennsylvania, east from the last-named point to Warren, Pa., and thence east of the Allegheny and Ohio Rivers, including Pittsburgh; West Virginia; Virginia, north of a line drawn from the southernmost junction of West Virginia and Virginia through Roanoke, Lynchburg and Petersburg to and including Norfolk; Maryland, Delaware and New Jersey.
2. **SOUTHERN REGION**—The rest of Virginia; Kentucky, Tennessee, Georgia, North Carolina, South Carolina, Florida, Alabama, Mississippi and Louisiana, east of the Mississippi River.
3. **LAKE REGION**—The western portions of New York and Pennsylvania not included in the Eastern District; Ohio, Indiana and the part of Michigan south of Lakes Michigan and Huron.
4. **CENTRAL REGION**—The northern peninsula of Michigan, Wisconsin, Minnesota, North Dakota, South Dakota, Illinois, Iowa, Missouri, Kansas, Nebraska; the southeastern corner of Wyoming to include Cheyenne, and Colorado east of a line running north and south through and including Denver.
5. **SOUTHWESTERN REGION**—Oklahoma, Texas, Arkansas and all of Louisiana west of the Mississippi River.
6. **WESTERN REGION**—The rest of Wyoming and Colorado, Montana, Nevada, Washington, Oregon, California, Idaho, Utah, Arizona and New Mexico.

### SEATS OF REGIONAL COMMISSIONS

The seats of the Regional Commissions are designated as follows: Eastern Region, New York City; Southern Region, Atlanta, Ga.; Lake Region, Fort Wayne, Ind.; Central Region, Omaha, Neb.; Southwestern Region, Dallas, Tex.; Western Region, Salt Lake City, Utah. In each case, the seat has been selected with regard to its central position both with respect to geography and volume of interstate traffic. (See back cover page for map of Regions and Seats.)



# DIGEST OF ARGUMENTS SUPPORTING THE "PHILADELPHIA PLAN"

PREPARED BY

GEORGE E. BARTOL

President of the Philadelphia Bourse

Vice-Chairman of the Philadelphia Joint Committee on the  
Reasonable Regulation of Railroads

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The Philadelphia Bourse, in considering the subject of "Reasonable Regulation of Railroads" and viewing it as business men with an unselfish desire to promote the general welfare, holds these truths to be self-evident:

1. That the principle of regulation of interstate carriers by government has been accepted and adopted and the necessity for such regulation admitted.
2. That such regulation by government should safeguard the rights, liberties and welfare of all the parties in interest, holding the scales of justice at an even balance without fear or favor.
3. That excessive regulation and by numerous, unrelated, independent regulative bodies, is confusing, impairs efficiency and destroys initiative.
4. That the prosperity of the people and the prosperity of the transportation companies serving them are interdependent and inseparable, the poverty of either reacting upon the other; conversely, the prosperity of one is shared by the other.
5. That the people of this country cannot regard with indifference the increasing difficulties besetting the management and operation of carriers engaged in interstate commerce.

To accomplish the objects which we believe to be so necessary we advocate the basic features of the plan which has been designated by numerous publications throughout the country as the "Philadelphia Plan."

## **1. Federal Incorporation:**

In support of our first suggestion relative to Federal incorporation we hold that a way can be found or created that will permit of the dual corporate existence provided for in the first paragraph of the plan. In lieu of a Federal Charter a Federal License would possibly

serve the same purpose, which is to bring all interstate carriers under a uniform and unqualified National control. We hold that the interstate railways of the country are essentially National Highways and that in the interest of all the people the imaginary lines forming state boundaries must be obliterated in order to secure reasonable, uniform and efficient regulation.

We are not unmindful of alleged present constitutional limitations. We believe the Constitution to be the most perfect and far-sighted State paper ever penned, but we believe that the most far-sighted of those who framed it had no vision of the future that included the conditions confronting society today. Interstate commerce as known to the framers of the Constitution meant the pack horse, the wagon and the coasting vessel—not steam, electricity and wireless; with communication under the water, on the surface of the waters and the land and through the air.

We recall too that it has already been necessary to make seventeen amendments to the Constitution and that it is highly probable changing or basicly new conditions will call for other amendments in the future.

We do not believe that any comprehensive, workable plan can be evolved that confines itself within present constitutional or legislative restrictions if the assumed view of present constitutional limitations be the correct one.

The evils arising from the present system of multiple control are daily becoming more manifest, a striking example being the proposed suit of the Attorney-General of the State of Texas to be instituted in the Federal Court to impose penalties upon the railroads of the State for obeying the orders of the Interstate Commerce Commission which were in contravention of the orders of the State Railroad Commission. This case will doubtless be carried to the Supreme Court, and with the well known disposition of the Supreme Court to confine its decisions strictly to the precise issue before it, will probably leave an open door for similar contentions where the issues differ in any way from those involved in the Texas case. The issue in this case is rates, but rates are not the only causes of controversies, and innumerable other potential causes of conflict between State Commissions and the Federal Commission exist and are likely to arise from time to time.

Nearly 1400 laws regulating railroads were introduced in the Legislatures of forty-two States in the year 1913. It is self evident that no business can survive such legislative activity, but the absolute need of a unified National Control with a single legislative body is emphasized.

The varying needs of the several States with regard to revenue and the diverse views of their Legislatures as to the taxation of corporations makes it imperative that provisions be made for the uniform taxation of property of interstate carriers operating within their borders.

## 2. Enlargement and Reformation of Interstate Commerce Commission:

The second suggestion in the plan we submit provides for the material enlargement of the Interstate Commerce Commission and its sub-division into Regional Commissions. The need for increasing the number of Commissioners is, we believe, now conceded by everyone, but opinions differ as to the number of additional Commissioners requisite. We advocate increasing the Commission to a total of forty-three (43) members and its sub-division into regional commissions of seven members each to be assigned to territorial freight traffic districts or to zones following approximately the lines of the zones established by the Interstate Commerce Commission in the Inter-Mountain Case.

Our reason for urging the division of the Commission into Regional Commissions is to retain to a certain degree the only point of merit which can be fairly urged in favor of the present State Commissions, viz: the local coloring or viewpoint, a highly desirable feature and not to be lightly dispensed with but unfortunately carried too far by the State Commissions and necessarily bounded by arbitrary State lines. We believe that the local atmosphere and the local coloring is desirable and that it can only be acquired by a Commission domiciled in the territory; familiar with its needs, its people, its traffic and the local conditions. We believe all of the desirable features of State regulation can be better accomplished by a suitable division of the country into zones and that results would more than justify the change.

We oppose the suggestion that the Commission be enlarged and permitted to divide into departments all to sit in Washington. We do not feel that this would expedite, simplify or unify regulation but would on the contrary tend to confusion and complexity of regulation. We regard the matter solely from the viewpoint of business men and in our judgment proper regulation requires that the regulating body should have before it for consideration all the facts affecting the property or the matter in controversy just as a board of directors would desire before reaching a conclusion. Action on a partial knowledge of facts is as bad as rendering a judgment on a half truth. Co-ordination of the facts known to the different departments would be practically impossible and would result in a great deal of lost motion to the injury of expedition and efficiency.

We urge that full powers be conferred on the Regional Commissions to determine and settle the questions coming before them without appeal except on questions of principle; questions of nation wide application and rulings which conflicted with the rulings of other regional commissions. Provision should of course be made for rehearings within a reasonable time where an injustice was alleged to have been done or later discovered evidence showed that a re-opening of the case was warranted, but the power to appeal all cases simply leads to interminable delays and in many cases is only for the purpose of procrastinating in the hope of defeating justice. Business suffers more from uncertainty than from a temporary injustice.

The provisions for a Board of Revision and Appeals and for promptness of decisions require no elucidation or comment on our part.

### 3. Definite Powers and Limits:

The third feature of the plan providing for the delimitation of the powers of the Commission is important in that the powers conferred should be ample but precise so that all the parties concerned and particularly the parties regulated should have a clear knowledge of what they were free to do and what they were not free to do. An exhaustive study of details would be required to specify just what should be included in the matters subject to the control of the Commission and what could properly be excluded. We are not prepared to go into full details but from the testimony that will be given to the Newlands Committee as to the various phases of the subject and especially from the experience of the Interstate Commerce Commission and the State Commissions it will be possible for that Committee to determine what powers are essential to complete and unqualified Federal control, always excepting the reasonable police power of the several States and their political sub-divisions which we do not understand to be a matter of controversy.

We believe that the Commission should be empowered to pass upon the issue of securities and to establish minimum as well as maximum rates. The railroads of the country, particularly those engaged in interstate commerce, are National Highways and in all legislation affecting them they should be regarded as such. Regulation should have in view the building up of the railroads. While they should be encouraged to expand they should not be allowed to over-expand; while encouraged to compete they should not be permitted to destroy each other or bankrupt other forms of competitive transportation.

Regulation of rates must be done with the view of encouraging efficiency of operation and expansion commensurate with the growth of the nation's business.

It is not gross earning but net surplus that attracts capital and it is stock holding partners that are needed—not mortgage bond holders. Without partnership capital available the railroads will fail to meet national development.

Railroads are not producers; their charges are a tax, added on to the goods and paid by the ultimate consumer. Transportation enhances the cost but adds nothing to intrinsic value.

It is because all costs must in the end be passed on to the ultimate consumer that the question of wages, which form so large a part of the cost of transportation, should be placed under the supervision of the Commission.

We hold that the body which by its control of rates can decrease or increase the revenues of a railroad should and must take cognizance of the fact that wages constitute from 60% to 70% of operating expenditures and must therefore have the power to determine and settle disputes between carriers and their employees as to wages, hours of service and conditions of employment which increase operating cost.



It is admitted that corporations engaged in the transportation of passengers or goods are Public Servants engaged in a Public Service which under their charters they are obliged to perform under penalty of forfeiture. It is conceded that such corporations can only perform their service to the public through the medium of operating employees. Men entering the service of such corporations do so voluntarily as do men who enter the Army or Navy, but in doing so they assume, like men in the Army and Navy, only differing in kind, certain obligations to the public whom they are employed to serve.

The welfare of the public and the interests of the whole people are paramount. They are not to be jeopardized by claims of either employees or corporations.

Men are under no compulsion to enter the employ of a Public Service Corporation, but having done so they assume an obligation; they share the obligation imposed upon the company of continuity of service.

As the questions which arise between Public Service Corporations, such as railroads, and their employees are almost invariably economic questions concerning the share of the earnings properly payable to some of the employees, it is manifestly proper that the body which fixes the rates which limit the earnings of the employer and which is responsible to the public, whether consumers or investors, for the justness of rates charged, should settle such economic disputes, and by appropriate legislation such settlements should be made as binding upon one party as upon the other.

There is no question of involuntary servitude involved in such a provision for settlement of labor disputes affecting Public Service, and not even a forced construction of the language of the Thirteenth Amendment to the Constitution can construe it as applying to the carrying out of an individual contract of service voluntarily entered into for a compensation entirely satisfactory to both parties and which can be terminated by either party if dissatisfied, with the sole proviso that such termination shall not be effected in a manner or at such a time as to impair the service to the public.

#### **4. Transfer of Powers of Investigation and Prosecution:**

The fourth and last provision provides that the powers conferred should not include the triple power now exercised of investigation, prosecution and judgment, such powers should be transferred from the Commission to some other Agency of Government such as a bureau of the Department of Justice. It is idle to expect fair and impartial regulation when the regulatory body enjoys these unrelated powers.

GEORGE E. BARTOL, *President.*



THE PLAN OF REMEDIAL LEGISLATION  
PROPOSED BY THE  
PHILADELPHIA JOINT COMMITTEE  
ON THE  
Reasonable Regulation of Railroads

IN RESOLUTION ADOPTED NOVEMBER 10, 1916

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Commercial Organizations and their Delegates Constituting  
the Joint Committee:

PHILADELPHIA BOURSE:

Robert Comly,\* Walter Horstmann, George E. Bartol.

BOARD OF TRADE:

Philip Godley,\* Malcolm Lloyd, Jr., Esq., Samuel Bispham Bowen.

MARITIME EXCHANGE:

Walter F. Hager,\* P. F. Young, William J. Bradley.

GROCERS' AND IMPORTERS' EXCHANGE:

John S. Engard,\* Alexander Henry, Charles D. Joyce.

DRUG EXCHANGE:

A. M. Hance,\* Charles E. Hires, Dr. A. W. Miller.

MANUFACTURERS' CLUB:

Wilson H. Brown,\* Thomas Devlin, Richard Campion.

LUMBERMEN'S EXCHANGE:

Robert B. Rayner,\* Frederick S. Underhill, Charles M. Chestnut.

MASTER BUILDERS' EXCHANGE:

Franklin M. Harris, Jr.,\* Jacob L. Tyson, J. Herbert Schall.

UNITED BUSINESS MEN'S ASSOCIATION:

William Hancock,\* Edward A. Noppel, Edward B. Martin.

OFFICERS:

MALCOLM LLOYD, JR., ESQ., Chairman, 1404 Land Title Building.

GEORGE E. BARTOL, Vice-Chairman, 220 The Bourse.

EMIL P. ALBRECHT, Secretary, 214 The Bourse.

Sub-Committee: Those marked\* with the officers.

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WHEREAS, this Committee believes that the present methods of railroad regulation are in many respects cumbersome and impracticable, and that the public interest requires that unfair and burdensome features be removed, and the whole system simplified and placed on a sounder economic basis; and

WHEREAS, the Committee is entirely opposed to the government ownership of railroads and public utilities:

RESOLVED: that the Sub-Committee and officers are directed, on behalf of the Committee, to present these views to the Newlands Committee, and to urge upon that Committee the following programme of remedial measures:

1. Legislation to provide for the grant of Federal charters to all railroads engaged in interstate commerce, without impairment, on the one hand, of the rights of the several States with regard to the fair proportionate taxation of railroad property within their borders, and without surrender, on the other hand, of the rights granted to the roads by State charters, except to the extent that such rights may be inconsistent with Federal control. This legislation to be drafted with the end in view of placing all phases of railroad regulation in the exclusive control of the Federal government.
- 2.\* Legislation extending the jurisdiction of the Interstate Commerce Commission to the legalization of such combinations or agreements (not detrimental to the public welfare), as may effect a more economic use of existing railroad facilities, prevent unnecessary duplication of facilities, or provide for the maintenance of a fair standard of rates as between opposing lines—subject to control by the Commission.
3. Legislation extending the authority and jurisdiction of the Interstate Commerce Commission to the settlement of labor disputes of interstate carriers.
4. Legislation effecting a reorganization of the Interstate Commerce Commission in such manner as to make possible a more scientific, impartial and expeditious determination of the questions which come before the Commission; to which end we suggest:
  - A. An increase in the number of Commissioners.
  - B. The division of the Commission and the establishment of regional branches in the several freight classification districts, with jurisdiction over matters of rates, practices, etc., arising within those districts respectively.
  - C. The organization of a central body of Commissioners at Washington to have appellate jurisdiction in cases arising in the several districts involving questions of general principle; to prescribe general rules of procedure; and to deal with such other general matters (as for instance, forms of accounting, questions of valuation, etc.) as may be delegated to the Commission by Congress.
  - D. The investigation of alleged offences and prosecutions for infractions of law to be conducted by the Department of Justice or some agency of the Government other than the Commission.

\*This provision failed of ratification by the Maritime Exchange, which accepted the other provisions.

This plan has been ratified in entirety by the Philadelphia Bourse, Grocers' and Importers' Exchange, Manufacturers' Club, Lumbermen's Exchange, Drug Exchange and the Board of Trade. Action not yet taken by the Master Builders' Exchange and the United Business Men's Association by date of issue.

ARGUMENT IN SUPPORT OF THE PLAN  
OF THE  
Joint Committee on the Reasonable Regulation  
of Railroads

ACTING FOR THE  
Commercial Organizations of the City of Philadelphia

PREPARED BY

MALCOLM LLOYD, JR., M. A., L. L. B.

Chairman of the Joint Committee  
Delegate and Member of the Executive Council of the  
Philadelphia Board of Trade

The division of sovereignty between the States and the Federal Government provided for under the Constitution has profoundly influenced the relations of government to the railroads in this country. In other lands where such division of power does not exist, the study of these relations is relatively simple: if it be determined that government regulation is desirable, an intelligent inquiry can be made as to all interests involved, and a fair adjustment reached and enforced by methods at once simple and practical.

There is with us no co-ordination between the various instrumentalities of government which now concern themselves with matters affecting the construction and operation of the roads. Costs, charges and earnings are dealt with by numerous unrelated bodies. There is no possibility of co-operation between government and the roads tending to an economic development of the transportation system.

While the division of powers is the historical reason for present conditions, there is no constitutional necessity for its continuance, and many considerations of convenience and economy suggest the necessity of bringing it to an end. The control of interstate and foreign commerce, the power to establish post and military roads, in fact the general subject matter of communication between the states, was delegated to the Federal Government. Through the powers so conferred a reorganization is believed to be entirely possible.

The proposals of the Philadelphia Joint Committee represent a comprehensive plan of legislation designed to simplify the relations between government and the roads and to make possible a proper study and a fair settlement of the questions involved. The proposals will be separately stated, and the reasons in support summarized, in the following pages.

# I

LEGISLATION TO PROVIDE FOR THE GRANT OF FEDERAL CHARTERS TO ALL RAILROADS ENGAGED IN INTERSTATE COMMERCE, WITHOUT IMPAIRMENT, ON THE ONE HAND, OF THE RIGHTS OF THE SEVERAL STATES WITH REGARD TO THE FAIR PROPORTIONATE TAXATION OF RAILROAD PROPERTY WITHIN THEIR BORDERS, AND WITHOUT SURRENDER, ON THE OTHER HAND, OF THE RIGHTS GRANTED TO THE ROADS BY STATE CHARTERS, EXCEPT TO THE EXTENT THAT SUCH RIGHTS MAY BE INCONSISTENT WITH FEDERAL CONTROL. THIS LEGISLATION TO BE DRAFTED WITH THE END IN VIEW OF PLACING ALL PHASES OF RAILROAD REGULATION IN THE EXCLUSIVE CONTROL OF THE FEDERAL GOVERNMENT.

## A. The Conflict between State and Federal Regulation.

That the forty-eight State Commissions and the Interstate Commerce Commission cannot successfully participate in railroad regulation is generally recognized. The multiplicity of reports, the expense and embarrassment of conflicting rules, the increasing volume of litigation based on jurisdictional questions, the delays in the financial and other proper activities of the roads, combine to create a condition of uncertainty and confusion, of friction and economic waste, evident to the most casual observer.

If State A may reduce railroad rates to the verge of confiscation, on lines within its borders, necessary earnings must be made on business done elsewhere to keep the system as a whole in sound physical condition, to develop new territory, and to obtain capital at reasonable rates.

If State B may prescribe the number of men to be employed in handling a train, the character of its appliances, etc., and State C may prescribe different rules, the method of operating the train is subject to constant changes involving in the aggregate great expenditures.

If State D approves the issuance of securities and State E refuses, the necessary development of the whole system may be prevented or the opportunity for financing on a favorable basis may be gone.

Such a condition is undesirable from the standpoint of the government, as its processes of regulation cannot be efficient or satisfactory if subject to interference from outside sources. It is unsatisfactory to the railroads, made the victims of conflicting orders or regulations based on divergent policies. It is detrimental to the



public interest, **since all needless costs imposed on the transportation system of the country must be reflected in the charges paid for transportation by the public.**

This condition of conflict in the methods of regulation, has played in recent years, a sinister part in railroad and industrial history in this country and unless remedied must, in the next period of business depression, bring again that state of damaged credit, delayed development, stagnation or insolvency from which, at the moment, we have partly emerged by the happy chance of unexampled business prosperity.

## **B. The Public Interest.**

Since the trades bodies for whom this brief is submitted represent no interest save that of the public, a word should be said as to what they conceive the interest of the public to be in this railroad matter.

The adequacy of railroad facilities, the efficiency of operation, and the general state of railroad credit, affect the public as a nation and affect the individual citizens who compose the nation.

As a nation we need railroad development, ahead of immediate requirements, both for the purposes of commerce and of national defense. Railroads today play the part in national life that the great highways of the Romans played in the creation and maintenance of the Empire. Without ample railroad facilities and high efficiency in their management the nation is handicapped in its domestic and foreign trade. In the event of war it cannot realize adequately its resources of men and material. Progressive development requires constant additions to capital, and the people generally will not supply the funds unless there is general confidence in the fairness and wisdom of the system of regulation.

The great quantities of supplies purchased by the roads, the numbers employed, the fact that the securities of the roads represent a considerable part of the savings or accumulated wealth of the nation, make the question of railroad prosperity one of direct interest to a large proportion of the individual members of the nation. Even those who do not recognize any direct interest, have this connection with the problem. If the system of regulation is so cumbersome, so wasteful or so unfair that public confidence in the ability of the roads to pay a proper return is shaken, the rates paid for new capital go up, and this increased cost plus the wastage due to cumbersome regulation, plus losses due to postponed maintenance, etc., are borne sooner or later by the public. Nothing could more quickly add to the increased cost of living than an increased cost of transportation due to these preventable causes. When it is remembered that practically all that we eat and wear, the raw material that comes to our manufacturing plants, the finished product flowing from those plants, enormous quantities of building materials, farm supplies, etc., etc., have to be transported by rail, often several times before reaching the final user, the far reaching effect of a wasteful system of regulation, of a system under which the capital necessary to do this work cannot be obtained cheaply, becomes apparent.



### **C. Exclusive Federal Control.**

Assuming that the present system is bad not only from the standpoint of the roads but equally so from the standpoint of the public, how is the condition to be remedied?

It is currently reported that the State Commissions will contend that Federal regulation should be relaxed or abolished in favor of State regulation. If it be admitted that the present conflict of jurisdiction is detrimental, this particular suggestion affords no remedy. It would mean that instead of forty-nine commissions there would be left forty-eight—a change in form but without a difference in substance. The reorganization of our system and the re-establishment of railroad credit involve two things: First, the evolution of a standard of rates that while fair to the public, will allow sufficient margin for up-to-date maintenance and efficient operation plus a dependable and adequate return to the investor: Second, the prevention of the waste incident to multitudinous regulation. The proposal to relax or abandon Federal control gets us no further forward in either respect.

Apart, however, from the ineffectiveness of the suggestion, why should the Federal Government relinquish the right expressly reserved to it in the Constitution to regulate commerce between the states? Even in those early days, before the railroads were known or had become the chief instrumentality of commerce, it was recognized that to obtain a unified national life it was essential that all questions affecting the communication between states must be reserved exclusively to the Federal Government. If State B, lying between States A and C, could to any extent interfere with the communication between A and C, there was created an element of disunion, a basis for recriminations and reprisals. Our present system or lack of system has led to more than one attempt by a state to use its regulating power to further its selfish local interests at the expense of the railroads and of adjoining states. Such incidents, a discredit to those concerned and of disadvantage to the country, might well be rendered impossible in the future.

Not only therefore because exclusive Federal control is the only feasible course, but because also it is the proper course within the spirit and purpose of the Constitution—we urge the extension of the Federal jurisdiction to all phases of railroad regulation. Through the Federal Commission, alone, we submit, can the present wasteful overabundance of regulation be obviated, and a dependable policy as to earnings established. Both conditions are necessary to the re-establishment of credit, and good railroad credit must exist, if this country is to have progressive development and economic management of the transportation systems.

### **D. Federal Incorporation.**

Assuming that a settled policy as to earnings and a unified system of control are essential to the re-establishment of railroad credit and the proper upkeep and development of the roads, how shall this be accomplished?

It has been urged against the plan of Federal incorporation that the grant of Federal charters would not of and by itself exclude the conflicting State regulations; and conversely, that if Congress by appropriate legislation occupied the whole field of regulation, federal charters would not be necessary. In the case of *Regan vs. Trust Co.*, 154 U. S. 413, the Supreme Court (Brewer J. p. 416) says: "Conceding to Congress the power to remove the Corporation **in all its operations** from the control of the state, there is in the act creating this company (Texas and Pacific Railway Co.) nothing which indicated an intent on the part of Congress to so remove it\*\*\*\* It (Congress) must have known that, in the nature of things, the control of that business would be exercised by the State, and if it deemed that the interests of the nation and the discharge of the duties required on behalf of the nation from this corporation, demanded exemption in all things from state control, it would unquestionably have expressed such intention in language whose meaning would be clear."

It may readily be admitted, therefore, that a mere charter granted under Federal law will not be sufficient to accomplish the desired result; in granting such charters Congress must (if the end in view is to be attained) express its intent to exempt the corporation from state control because of its belief that the interests of the nation and the discharge of the duties required on behalf of the nation, require such exemption. It may also be admitted that theoretically perhaps Congress might exempt the roads from state control without granting charters.

Such an objection, however, is merely negative. The sufficient answer seems to be that the grant of such charters under an act declaring the intent of Congress to remove the conflicting state regulations in favor of a unified system, is the simplest and most efficacious way of accomplishing the result and of re-establishing railroad credit.

From the standpoint of the railroads it has been suggested that to accept a federal charter might entail the loss to certain roads of rights granted by state charters, might involve elaborate readjustments, transfers of property, etc., etc. The objection from this standpoint also seems to us insufficient to outweigh the interest of the public in this plan of reorganization. The difficulties foreseen can be largely avoided if the legislation is carefully drawn with due regard to the rights of all parties. The facility with which such a change could be accomplished is illustrated by the experience of the national banks.

The National Banking Act (Rev. Stats. Sec. 5154) permitted state banks to become National Banks by a very simple method. A majority of the directors (with the consent of two-thirds of the stockholders) executed a certificate of association. This was sent to the Controller who thereupon issued a certificate or charter. It was provided in the Act that the directors should continue in office till a new election was held, and the shares of stock, etc., might remain unchanged. In construing the act the courts have held that, "State banks may avail themselves of its privileges and

subject themselves to its liabilities without abandoning their corporate existence, without any change in the organization, officers, stockholders or property and without interruption of their pending business or contracts\*\*\*\*As between it (the bank) and those who have contracted with it, it retains its identity, notwithstanding its acceptance of the privilege of organizing under the National Banking Act." (National Bank vs. Phillips, 97 N. Y. 50.) And further, "The transaction did not disturb the relation of either the stockholders or officers of the corporation nor did it enlarge or diminish the assets of the institution. These all remained the same under the national as they were under the state organization." (Coffey vs. Bank, 46 Mo. 140.) As said by one of the courts, the process involved was a mere transition and not a new creation, as evidenced by the fact that no assignment of the assets was necessary.

It is confidently submitted, therefore, first that Congress can unify the system of railroad regulation, and second that the railroads can be incorporated under Federal law with but little or no inconvenience or disorder.

### E. Taxation.

If it be conceded that a wise and equitable system of regulation is one of the basic conditions of economic health, and that the fundamental requirement of any scientific treatment of the subject is a single body of regulation, the details of the readjustment may safely be left to the constructive statesmanship of Congress. It is not within the purpose of this brief to discuss the detail of the necessary legislative measures.

In the resolution adopted by the associated trade bodies, however, reference is made to the subject of taxation, and a brief explanation of the views of the Committee on that topic is perhaps in order.

When the subject of modifying the system of railroad regulation was first proposed, objection was heard from some of the states and from some of the railroads, on the ground that the adoption of the principle of Federal incorporation and control would alter the present basis of taxation, working to the disadvantage of the complaining states by reducing their revenue from railroad taxation, and working to the disadvantage of the complaining railroads, by changing the terms on which those companies paid taxes under their special charters.

Two things seem to be clear. The first, that if the railroads are to be national means of communication between all parts of the country, the franchise to operate should be granted by the Federal Government, and such payment as is required by government for the exercise of the right should be made to the Federal Treasury to recoup the expense of regulation. The second, that as to all physical property within the state, the state should have the same taxing power which it exercises with respect to all other property of a similar character within its confines.

A sound scheme of regulation could not be formulated, nor could a **national** system of railroad communication be maintained, if one state could by exorbitant taxation upon franchise levy tribute



upon the remainder. Such a condition is manifestly opposed to the spirit of the Constitutional provisions for maintaining free intercourse between the states and an unrestricted flow of commerce between all parts of the nation.

It would be equally unfair, even were it constitutionally possible, to deprive the states of the right to levy taxes upon the physical property of the railroads within their territory. If railroad property to the extent of a billion dollars of value is located in State A, and property valued at one million dollars located in State B, State A is equitably entitled to taxes based upon a total assessment ten times greater than State B. If the rate per cent. of charge varies somewhat in the two states, this is not a proper ground for complaint so long as the rate per cent. applies fairly to all property of a similar character within those states respectively.

If it should appear, upon careful examination of existing charter provisions or other contractual arrangements between the roads and the several states, that the programme of Federal incorporation and regulation would work substantial injustice in any particular case, either to the road or to the State, means can be found, no doubt, to harmonize and adjust the differences. The interest of the nation (both from an economic and a military point of view) would amply justify the Federal Government in contributing to the solution of the difficulties (if such be found to exist) and the recommendations of an impartial commission as to the proper solution of any such case would no doubt obtain the approval of all parties.

## II

### **LEGISLATION EXTENDING THE JURISDICTION OF THE INTERSTATE COMMERCE COMMISSION TO THE LEGALIZATION OF SUCH COMBINATIONS OR AGREEMENTS (NOT DETRIMENTAL TO THE PUBLIC WELFARE), AS MAY EFFECT A MORE ECONOMIC USE OF EXISTING RAILROAD FACILITIES, PREVENT UNNECESSARY DUPLICATION OF FACILITIES, OR PROVIDE FOR THE MAINTENANCE OF A FAIR STANDARD OF RATES AS BETWEEN OPPOSING LINES—SUBJECT TO CONTROL BY THE COMMISSION.**

In the preceding pages it has been suggested that the transportation charge was one of the chief elements in the final cost to the consumer of all that he eats, wears, constructs or uses.

It is a popular fallacy (and the more dangerous because the facts are not readily apprehended by the average man), that the cost of railroad service is a matter of arbitrary regulation by the roads themselves. A moment's reflection will suffice to indicate how mis-

leading is such a picture of the actual situation. If the railroads are to exist for the service of the public the charge made by them must include:

1. The cost of labor.
2. The return to capital invested in roads and equipment.
3. The cost of upkeep and maintenance.
4. The cost of taxation and other costs of operation not included in the labor charge.

The railroads must adjust, as best they can, the claims of these four creditors and the public must pay the account thus made up. To a very large extent the railroads themselves cannot affect the result one way or the other—they are bound to pay the prevailing prices for labor, for capital, for material and equipment, for taxes and other expense.

It behooves the public therefore to see to it that the cost of transportation is not inflated by cumbersome methods of regulation, or by restrictive legislation which will needlessly prevent the economic administration of the properties.

The present costly system of regulation has already been adverted to. It becomes important to consider whether existing legislation tends to produce unnecessary duplication of new facilities and to prevent the economic use of existing facilities.

There is at present we believe a great wastage due to restrictive legislation which has outlived its usefulness. Before the era of rate regulation, competition was the active principle which tended to keep down rates. To maintain this principle in operation, to prevent agreements or combinations aimed to render it inoperative, was a proper subject for legislative inquiry and action. The Federal Government as well as most of the states enacted legislation restrictive of agreements between the roads, prohibiting the acquisition of parallel and competing lines, etc., etc. Competition, however, bolstered and protected by legislation, is not and never could be a wholly satisfactory safeguard to the public interest (so far as the railroads are concerned), for the simple reason that competitive conditions do not equally apply to all of the roads. Roads exist which have little or no competition and may be located in districts so unproductive that it would be folly to establish competing lines. For this and other reasons the direct supervision of rates, by commissions, has been developed and has become established as a permanent part of our governmental structure. This is no doubt a necessary and desirable evolution, but two results flow from the changed condition, first, that with the adoption of the new principle of governmental rate control much of the legislation designed to enforce competition becomes obsolete, and second, that to the extent that unrestricted competition required wasteful duplication of facilities and destructive warfare between competing lines, the public interest is now wholly on the side of preventing that needless expenditure, since the public eventually pays the bill. To state



the matter in another form, **if rates are controlled by commission, every combination or agreement between the roads which leads to economy of operation and avoids duplication of expenditures is a public benefit.**

A hypothetical case may serve to illustrate the point and suggest the far-reaching significance of the proposition.

Road A and Road B run through town X. Coal is discovered near Y, and the roads lay parallel and competing lines to that point. There is enough business to run both roads to full capacity. Road A obtains 75% of the business and Road B 25%. Road A thereupon lays a double track in order to maintain its advantage. The result is perhaps this: one-half of the capacity of Road B and one-fourth of the capacity of Road A is unused. A line has been built between X and Y which was not needed and represents an economic waste. The effect of such a condition may be the abandonment of Road B and a heavy loss to the original investors—or the losses in operating the line may be made up by rates charged elsewhere.

Before the era of rate regulation such a result as this could not be avoided. Competition was the only method of keeping down rates. It was a crude method because, as will appear from the illustration, the elimination of Road B would naturally be followed by an increase of rates on Road A. If for no other reason, Road A must carry unnecessary road bed and make up the losses of the fight for business. The point is, however, that with regulation of rates such a condition is avoidable. Roads A and B should be permitted (subject to supervision) to agree upon the territory each will serve, or if both are serving the same territory, to agree upon any fair plan for the division of business that will prevent unproductive expenditure. **Lower rates can be properly required if the roads are not forced to unnecessary costs.**

It is not proposed that the provisions of the various enactments prohibiting combinations and agreements between railroads should now be repealed; such a proposal could not properly be made without an exhaustive examination of the enactments affected. The proposal made, however, is that the commission be empowered to authorize any agreement or combination between roads, where it can be shown that instead of being detrimental to the public interest, the effect of such agreement or combination would be to prevent wasteful expenditure, losses due to destructive competition, or to accomplish proper economies in construction and operation.

Assuming a unified system of regulation under the supervision of the Federal Commission, **is it not wise to entrust to that Commission the power to effect economies in the public interest?** The power of the Commission to restrict rates is negative—it is a safeguard—but incapable of accomplishing constructive modification of or permanent improvement in the underlying conditions upon which transportation charges are in the main based. An enlightened policy should lead to a substantial betterment in these conditions.

# III

## LEGISLATION EXTENDING THE AUTHORITY AND JURISDICTION OF THE INTERSTATE COMMERCE COMMISSION TO THE SETTLEMENT OF LABOR DISPUTES OF INTERSTATE CARRIERS.

Any man or a group of men who in time of war or other public emergency obstructs the national government in the movement of its troops, supplies or munitions of war is manifestly giving aid and comfort to the public enemy (irrespective of his or their immediate intent) and is justly to be characterized as traitor to his country. The obstruction of the railroads in time of peace is a public injury less sinister perhaps, but fraught with such possibility of general suffering, loss and inconvenience that public interest demands that the obstruction shall not occur. Those who manage the roads and those who work upon the roads are charged with the moral responsibilities of public service. The public health, the livelihood of the people, the furtherance of the national interests require that the social and productive pursuits of a hundred million of people shall not be paralyzed by the failure of any group or groups to adjust their differences. The roads must be kept open and the differences must be adjusted by means compatible with the public welfare.

Our statesmanship has not faced squarely and adequately the manifest requirements of this situation. It is true that the quasi public character of the railroads has been recognized and their obligations to the public in respect to equal and sufficient service at reasonable rates has been the subject of much and varied legislation and judicial ruling. There the matter rests.

The time has come, however, when the process of subordinating individual interests to the public interest, in respect to this important branch of the public service, must be carried further: when it must be recognized that the threat to tie up the roads, to enforce personal views, is equally lawless with the threat to shut down the roads for a like purpose.

This proposition involves first, a recognition of the principle that those who undertake railroad work accept in their department the obligations of public service as fully as do those who construct the line, and second, the establishment of the necessary tribunal and procedure for the determination of those questions upon which the parties themselves have been unable to agree.

The objection from the standpoint of the roads to the establishment of such a tribunal would no doubt be that an outside determination of the rate of wages or other conditions of employment might bankrupt the roads: that the proposal requires the surrender of the right of independent judgment as to what should or could be properly paid: that it is in derogation of the right to contract for service upon the terms which the owners are able and willing to offer.

From the standpoint of the organizations which represent the men, the objection has already been heard, that for a government tribunal to determine in case of dispute what the men shall accept was to bind them to an involuntary service.

To answer the last objection first. It goes without saying that no man or body of men can be forced to work at any occupation or for a wage which he or they believe inadequate. If the wages fixed by the tribunal, in case of dispute, were believed to be inadequate, the men affected are of course at liberty to select other occupations. Such is the inalienable right of every man, subject to such limitations as he imposes upon his own conduct by contract. This, however, is not equivalent to saying that the law could not or should not declare that in view of the public interest involved, the rejection of the decision must be made in such a manner as not to interfere with the operation of the roads. It is entirely fair and eminently proper that every man undertaking railroad work should be warned by the clear pronouncement of the law that a term and condition of his employment must be that he should recognize the public character of his occupation to this extent. The franchise to operate the road is granted by the public: the privilege of employment on the road is fairly subject to this contractual obligation.

The answer to the railroads would seem to be this. It is quite true that the ordinary individual or business association must be at liberty to decide what he or it can afford or is willing to offer for personal service or other forms of expenditure. Such an employer is restricted by competitive conditions as to what can be obtained for his product. The railroads are, however, essential to the public use, and their service cannot be dispensed with even temporarily. These facts protect the roads to a large extent. It is true that blind regulation, the enforcement of excessive expenditure and the curtailment of charges could readily bankrupt the roads. The fear of this however is to be allayed by the reflection that even though the tribunal may not be so well able to judge of the income requirements of the roads, as the roads themselves, an effort to reach a fair decision of the questions presented is to be assumed. If the tribunal should make decisions establishing a rate of wages greater than economic conditions warranted, the roads have recourse to the commission for increased rates, and the demand for railroad service together with the better understanding of the income requirements upon which service must be based, fairly assure the necessary increases.

Both the men and the roads, therefore, may be said to be answered by the considerations referred to. Is the interest of the public equally secured? Heretofore the roads have of necessity maintained a careful guard over expenditures—including the sums paid for personal service. The direct effect of this has been to safeguard the transportation charge. Will the public find, if this change is made, that the roads have become careless in regard to this element of cost, that transportation charges have steadily increased and that the cost of living, already inflated, has become still greater? Such no doubt will be the tendency unless the public is alive to the significance of the situation, to its interest in the whole matter of



railroad regulation, and demands that its interest shall be safeguarded by the establishment of a tribunal impartial, practical and well informed.

The suggestion that the Interstate Commerce Commission should be entrusted with this duty seems to be self sustaining. The relation between the wages paid and other regulations imposed, on the one hand, and the rates charged, on the other, is so intimate that the Commission seems to be the best, perhaps the only body that could properly do the work, Without attempting in this brief to discuss the detail of the legislation required to make the decision of the Commission effective to keep open the roads, **it should evidently be made a conspiracy against the public welfare, for any body of men to agree together to abandon the public service at one time, or in such manner as to prevent operation.** Perhaps if each individual was required to give thirty days' notice in writing of his intention to quit the service—the thirty days to commence to run from the monthly period based on the date of his original employment, the operation of the roads would not be unduly interfered with. This, however, is only by way of incidental suggestion.

## IV

**LEGISLATION EFFECTING A REORGANIZATION OF THE INTERSTATE COMMERCE COMMISSION IN SUCH MANNER AS TO MAKE POSSIBLE A MORE SCIENTIFIC, IMPARTIAL AND EXPEDITIOUS DETERMINATION OF THE QUESTIONS WHICH COME BEFORE THE COMMISSION, TO WHICH END WE SUGGEST:**

A.—An increase in the number of the Commissioners.

B.—The division of the commission and the establishment of regional branches in the several freight classification districts, with jurisdiction over matters of rates, practices, etc., arising within those districts respectively.

C.—The organization of a central body of commissioners at Washington to have appellate jurisdiction in cases arising in the several districts involving questions of general principle; to prescribe general rules of procedure; and to deal with such other general matters (as for instance, forms of accounting, questions of valuation, etc.,) as may be delegated to the Commission by Congress.

D.—The investigation of alleged offences and prosecutions for infractions of law to be conducted by the Department of Justice or some agency of the government other than the Commission.

It is evident that if in place of a confused mass of regulations enacted by the State and Federal governments, we are to have a well designed system of regulation under exclusive Federal control, the Interstate Commerce Commission must be reorganized to adequately do the work.

From the standpoint of the shippers and other individual members of the community, the Commission (or branches of the Commission) should be readily accessible. It should be provided with sufficient members to hear and decide more expeditiously than in the past the numerous questions presented to it.

From the standpoint of the roads, it is highly important that the personnel of the Commission should be composed of the men best fitted by temperament and experience to pass impartially and with business judgment upon the issues before them.

From the standpoint of the Commission, as an administrative organization, it is important that there should be such classification of the work and distribution among departments as would tend to make a well balanced mechanism.

From the standpoint of the public interest, the requirements are: such a commission as can assure an intelligent supervision of rates and practices, but more important still, a commission with the necessary powers and so organized that it can outline and follow a settled policy, avoid as far as possible the economic waste of bad regulation, and assist in the constructive work of stabilizing the conditions of railroad finance, construction, and operation.

The suggestions made for this reorganization of the Commission relate chiefly to matters of form or structure. They outline a framework within or around which an organization for the proper study and practice of government regulation of railroads can be built. Many details must be filled in. The whole subject of transportation is of such importance that a new member might well be added to the President's cabinet to act as a connecting link between the government, the commission and the roads. The proposals made, however, would seem to represent the fundamentals of a proper plan of re-organization.

## V

### THE FALLACY OF GOVERNMENT OWNERSHIP

The objections to government ownership are many and include considerations of the gravest political significance and the utmost practical weight.

The burden is upon the proponents of such a measure to show, as well the public necessity as the feasibility of so great an undertaking. In order to do this it should appear, in no uncertain manner, (1) that our form of government is designed to successfully engage in this business enterprise, for unsuccessful government ownership and operation of the whole railroad system must result in far more



serious consequences to the public than the occasional failure of some line or lines now entails. (2) That the government has the money or can otherwise finance this undertaking, without impairment of the national credit and without becoming so financially involved as to be unable to perform the immediate and essential functions of government. (3) That the result of the enterprise will be to decrease the cost of transportation, for if the roads cannot be economically operated the increased cost must be borne by the public either in the form of taxation or increased rates. (4) Finally that the effect upon the community will be advantageous rather than the reverse—for if it were to result that in place of the government supervising the roads, the roads, under government ownership, became the controlling factor in government, the hope of cheaper rates would have proved a will-o-the-wisp leading into quagmires from whose depths we might indeed be a long time in extricating ourselves.

The Committee believes that the case for government ownership fails when examined as to any of these conditions, prerequisite to success.

### **(1) Form of Government Not Designed to Undertake Business Ventures.**

In order to guard against the perpetuation of political power in the hands of a few, our system of government provides for frequent elections and periodical changes in the whole personnel of the administrative and legislative branches. By this method we incur, of course, a certain lack of continuity in our policies and purposes, a certain loss of administrative efficiency, and we can hardly hope to attain that co-ordination or team work between the various departments of government, which can come only by long association of individuals, as parts of the same organization. This, however, is the price gladly paid to safeguard the great essential in our political creed—the free and constant expression of the popular will within constitutional limits.

Without pausing to discuss the theoretical question as to how far any government may wisely engage in business enterprises not directly required by governmental needs, the fact that under our system the policies of one administration may be reversed or abandoned by the next, that the whole administrative personnel is subject to change at frequent intervals (with the necessary delays and uncertainties of action incident to such changes), presents for us a special problem.

Can we have successful business management of the railroads when the government that would own the roads necessarily changes in its political policies and personnel so frequently? Certainly if these political changes were to mean widespread changes in the personnel of the railroads, it is inconceivable that the roads could be made to pay. Such disorganization would not only increase the cost of management and operation but might well prove a serious menace to the safety and comfort of the public.

There is grave danger, under our system of government, of too close a connection between our frequent political changes and the daily

bread earning or business activities of the people. So long as these political changes are confined to the law making and law administering bodies, the daily life of the individual is not much affected. If, however, with each political change there comes the uncertainty as to changes in business (whether railroad building and operation or any of the other great branches of industry), the periods of depression and lack of employment, of apprehension, of panic, become more frequent and more acute.

To extend their lines and to effect economies the roads must frequently expend large sums, which cannot at once be productive. If the decision of these and other questions is made dependent on the political exigencies of the moment, the result must be that the roads will be managed on the basis of political rather than business considerations, and costs must be vastly increased. From the standpoint of the public, interested in keeping down costs of transportation, a management of the roads actuated only by business considerations is essential.

## **(2). The Financial Problem of Government Ownership.**

The ownership of the roads is now vested in a great number of individual members of the public, in banks, trust companies, insurance companies, educational institutions, charitable institutions and the like. Government ownership means the purchase of these holdings. It is said that the railroads of the country represent a value of twenty-five or thirty billions of dollars, that to make a fair and accurate appraisal will take upwards of fifteen years and will cost the government and the roads upwards of thirty to forty millions of dollars. However uncertain these estimates may be they suggest the magnitude of the financial problem involved.

It goes without saying that the government has no means of paying cash for the properties. It must borrow or pledge its credit for the amount. By what experience may we judge the economic and political results of undertaking an indebtedness of such proportions? The debt like other debts must be repaid and interest payments must be met until the principal is liquidated. The government like any other borrower is judged, in respect to credit, by the amount of its assets and the extent to which they are unincumbered. With a mortgage of twenty-five or thirty billions of dollars upon its resources, it is reasonable to assume that the public credit will be impaired, the extent of the impairment being reflected in increased rates to be paid on all other loans procured by government for internal improvements or other purposes. While such increased interest rates are a disadvantage to the public and mean increased taxes, a more serious aspect of the impairment of credit would be faced in the event of war or other national emergency. Could it be expected that a government already loaded with debt would be as capable of raising the necessary means for defense as one without such encumbrance? As the debts of the European nations have mounted during the present war, the rates at which they could borrow have gradually increased. Were we to be confronted with a situation

similar to theirs at a time when the public debt already ran into the billions of dollars, who could guarantee us the outcome?

Like every business of large proportions the work of the railroads is done upon a narrow margin of profit. A falling off in the standard of general efficiency, an increase of costs due to bureaucratic methods, an inability to meet trade conditions in respect to purchases of material and supplies due to a slowing down in the methods of operation, and the margin of profit is dissipated. If it be assumed that government ownership involves these things, and that this stupendous investment would show a loss and not a profit in the hands of government, the experiment might well impose upon the nation an unprecedented burden.

### (3). Increased Cost of Operation.

It is hard to conceive of any ground for the suggestion of government ownership of the railroads save the hope of decreasing the cost of operation. The example of Germany and perhaps of some other European countries has at times been suggested. It is unnecessary to suggest that the blind following of the action of others is an unsafe guide to conduct either in national or individual life. Unless the special problem confronting some other country is understood in all its details, unless the motives actuating the decision can be ascertained, it is better to confront our own problem and solve it in accordance with our own traditions and judgment. The construction of a war machine has actuated much that has been done in Europe for many years past. Strategic railroads required by military plans and not justified by business considerations may well account for government construction and ownership abroad. Our government may well co-operate with the railroads to the end that they may be prepared for public service in time of war, and if extensions to strategic points or other enlargements are required which the railroads could not properly build, the government should of course do that construction as a part of the plan of national defense. To suggest the purchase of the entire railroad system on any such theory would seem little short of downright folly. The railroads are there and can be commandeered for the movement of troops or other public service whenever required.

Just a word then as to the reasons for the belief that government ownership must make for increased cost of operation and a consequent increase in transportation charges or increased taxation.

All business experience suggests that economy of management is dependent upon the extent to which there can be direct supervision of receipts and expenditures and an immediate disposal of current matters where prompt action avoids losses or takes advantage of opportunity. Red tape, leakage, delay, and absence of initiative cost money: they represent the difference, in many cases, between success and failure. The public cannot give to the conduct of public business, nor can their representatives give, that constant personal attention which they must give to their own affairs. Government methods of operation are of necessity slow and laborious, subject to every form of red tape and official delay. Due to



this and other causes the possibilities of waste and leakage would be enormous if the ownership of the railroads was transferred to government. Initiative and resourcefulness cannot serve their useful functions if bound by the necessity of departmental sanction for all their acts.

An equally productive source of increased costs would be found in the certain loss of morale and efficiency in the personnel. Good discipline, on the one hand, and quick recognition of meritorious service, on the other, produce an activity and esprit de corps essential to successful operating conditions. Can it be expected that in the matter of discipline or in the matter of prompt recognition of meritorious service, government ownership can hold its own with private ownership? Too many influences must operate to prevent such a result. The tendency to an easy going attitude in respect to the public work; political pressure to retain incompetent men and officials, to find offices for those not entitled by personal merit; lobbying methods of obtaining advancement; will all play their part in destroying the morale of the operating departments.

Neither, in a machine permeated with the dust of officialdom, can the prompt recognition of unusual aptitude or service be obtained. Favoritism rather than ability becomes the road to preferment. Nothing could more effectively add to the general deterioration in the standards of efficiency.

It is confidently predicted, therefore, that far from effecting such a saving in transportation costs as to tempt us to the experiment, government ownership is a most certain road to increased costs.

#### **(4). The Moral and Political Effects.**

Even if it could be made to appear, however, that government ownership and operation of the railroads would be a financial success, considerations more important to the public welfare than any matter of dollars and cents would prohibit the undertaking.

It has been suggested in the foregoing pages that the fundamental principle underlying the whole plan and structure of our government was the preservation of civil and religious liberty. To accomplish this it was proposed at all hazards, at any cost of material things, to prevent the formation of any class or party capable of perpetuating itself in the control of government—such continuing control being the precursor of attack upon freedom of thought and action.

The vast amount of supplies constantly required for railroad construction and operation, the great army of operatives and administrative officers engaged in the running of the roads, makes the ownership of these properties by government the most hazardous venture ever attempted by a liberty loving people. What more substantial basis could be found for the establishment of a self perpetuating political machine, than the power to control these enormous annual purchases; than the power to influence this army of office holders? Men in the average must be swayed by their personal interests. The individual would not consciously sell his vote or trade his beliefs for official preferment: his judgment



however is unconsciously affected, his freedom of thought and action definitely limited, by the fact that his position is dependent on or intimately affected by political changes. The honest beliefs of all thoughtful men should find expression, if the principles of democracy are to work a successful solution of the problems of government. We do not want—we cannot afford—in this country, a great army of office holders, whose tongues are tied by considerations of party politics.

While civil service regulations and the prohibitions of the criminal law would no doubt curb the grosser forms of corruption, the effect of government ownership of the railroads must be a serious menace to public morals. Non-partisan management of **municipal** government may be possible in this country and may, if it develops, clear up many of the features which have tended to discredit our system. The Federal Government, however, must almost necessarily be a matter of party management. The constant effort to maintain in power the party, leads the unprincipled men of every party to the adoption of corrupt means of increasing and perpetuating their influence. So it has happened, in the case of many of our city governments, that the public utilities owned by the city have become centers of corruption. This tendency is particularly pronounced where the conditions permit of the perpetuation in power of one party over a long period of time. If one party shall remain, for any considerable period, in control of the Federal Government, can any one reasonably doubt that the powerful incentives of party politics will have the same corrupting effect? And if one party shall become thus entrenched in power how vastly difficult will it be to again obtain freedom of action, if the roads are under political domination? Stretching to the furthest corners of the land, the roads might well be the thongs by which the destinies of the nation were bound to the wheels of a political machine.

## CONCLUSION.

As between the profitless hazards of government ownership and the benefits to be expected of a well designed system of government supervision, there appears to the Committee no room for debate in advocating the course which this country should pursue. The first, as the Committee sees it, is a measure of desperation incompatible with our institutions; the second, a natural development at once consistent with sound principles of political economy and with the special problem created by our form of government and our industrial development.

It is not enough, however, to determine generally that government regulation is the better of two proposals. At the present time there is a congeries of legislative measures dealing with the railroads, some enacted by the Federal government and a great number enacted by the state governments. They embody every device, and reflect every shade of political thought or popular prejudice. They do not represent a system of regulation, they are the concrete proof of an entire absence of system.

The railroads must be successfully operated to give adequate service, to attract capital, to effect the improvements which decrease costs.

Costs of construction, maintenance and operation must control the transportation charges paid by the public whoever owns the roads.

The public through unsound and conflicting legislative measures can enormously inflate the price which it pays as well for transportation as for the commodities of daily life: or, by producing order out of legislative chaos reduce the costs to the railroads and the charges based on those costs.

The Committee earnestly submits that from the standpoint of the public there is urgent need that the methods of regulation as now practiced be entirely revised, that the whole be reduced to a unified intelligible system, and that government co-operate with the roads to effect the saving of all unnecessary expense whether due to conflicting regulations, to outgrown measures necessitating wasteful competition, or to cumbersome methods of supervision.

To this end the proposals for legislation referred to in the foregoing pages are respectfully submitted by the Committee.

MALCOLM LLOYD, JR., *Chairman.*

# APPENDIX A

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## SUMMARY OF CONCLUSIONS REACHED BY THE COMMITTEE ON COMMERCIAL AFFAIRS OF THE PHILADELPHIA BOURSE

Presented to the Chief Commercial Organizations of Philadelphia at a Meeting  
Held March 15, 1915.

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1. That the railroad interests, subject to regulation, constitute the largest single industry in the country, excluding the agricultural interest.
2. That the persons directly employed together with their immediate families and dependents constitute approximately one-eleventh of the population of the nation.
3. That inasmuch as agriculture and all other industries depend upon railroad transportation, every man, woman and child in the United States is interested in the question of the efficient operation and wise regulation of the railroads.
4. That neither efficient operation nor wise regulation can be secured by the present method of control through State commissions and a national commission.
5. That the objections to present conditions are:
  - A. Division of Power: The rate regulating power which limits the incomes of the railroads, not having also the power to adjust questions of wages which constitute the major portion of the expenditures.
  - B. Too Many Regulative Bodies: The Interstate Commerce Commission and the commissions of forty-six or more States.
  - C. Lack of expert knowledge on the part of members of the Interstate Commerce Commission and of the members of the various State utilities commissions.
  - D. Physical impossibility of the Interstate Commerce Commission to give prompt and personal attention to the thousands of cases referred to it, with consequent vexatious delays in hearings and decisions.
  - E. The disposition of the Interstate Commerce Commission and of all the State Commissions to seek additional powers and the tendency of the Congress and the various State legislatures to add burdens to the duties already imposed.

## APPENDIX B

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### EXPERT VIEWS OF ALL INTERESTS ON Unified Federal Regulation of Railroads and the Plan of the Philadelphia Bourse

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The following are excerpts from representative opinions given to the Joint Committee on Reasonable Regulation of Railroads by prominent traffic men, shipping experts, economists, lawyers and railroad attorneys and officials, in various sections of the United States, on the general proposition of unqualified Federal regulation of the railroads and the specific plan prepared by the Philadelphia Bourse.

"I am thoroughly in favor of the abolition of State control of railroads and the effecting of centralized Federal regulation, and I commend the Philadelphia Joint Committee in its efforts to arouse a national consideration and discussion of this necessary change. I agree with the general principles of the 'Philadelphia Plan.' Certainly the Interstate Commerce Commission must be enlarged and district commissions created, although I consider Federal incorporation not an essential but merely a convenience.

"The only kind of reasonable rate regulation we now have is rate reduction. The Commission spends most of its time working toward lower rates when there are times when rates should be increased, because of higher wages, increased cost of living and materials and other elements. The Commission should be permitted to decide what is a reasonable rate and to name minimum rates, since it has the power to suspend rates and fix the maximum.

"All parties are dissatisfied with the present regulation system—the railroads, the shippers and the public. In the web of commerce it is impossible to distinguish between intra and interstate. If Congress can be made to move in the next two years, we may anticipate some revolutionary changes."

DR. THURMAN W. VAN METRE,  
Head of the Transportation Department of Columbia University.

"We have read with interest the plan prepared by the Philadelphia Bourse, particularly in view of the fact that it so nearly coincided with the conclusions the railroad executives had previously reached. We have been very glad to know of your activity in pushing consideration of this plan and hope for its wide acceptance from commercial bodies. While there are some details in your plan in which we might have differences of opinion, its general tenor is in accordance with our ideas and thoroughly approved."

FRANCIS H. SISSON,  
Assistant Chairman, Railway Executives' Advisory Committee.



"There is no doubt there are too many regulating bodies and that it is a physical impossibility for the present Commission to give either prompt attention or **proper** attention to the mass of business presented to it. I agree that it would be best were the interstate carriers removed from the jurisdiction of State regulative bodies. I also agree that the present Commission should be enlarged and the country divided into districts and the duties and powers of the Commission limited much more than they are at present. I also believe that there should be an appellate body of Commissioners, but think that limiting appeals from the district commissions to questions only of principle too stringent. The appellate body should have the right to reverse on questions of fact under proper conditions, but no appeal from its decision to the courts on facts should be allowed."

SIDNEY F. ANDREWS,

Lawyer, St. Louis, Mo.

"I have been connected with the Shreveport Rate Case from its very inception; in fact, some several months in preparing the matter for the complaint prior to the time of the selection of attorney to handle the matter. This should answer the question, but, to be more specific, I am and have been for some time in favor of centralized Federal regulation of railroads, notwithstanding the prevailing sentiment in this section with regard to State rights. On the whole, I favor the specific reform plan proposed by the Philadelphia Bourse, with some modifications."—*Personal and Unofficial opinion of*

GEORGE T. ATKINS, JR.,

Traffic Manager of the Shreveport (La.) Chamber of Commerce.

"Speaking personally, I heartily endorse the theory of the 'Philadelphia Plan.' Under the decision of the Supreme Court, notably the Minnesota and Shreveport Rate Cases, there is no doubt but that the Congress can take jurisdiction over all rail shipments, whether intra or interstate. Traffic has become very complicated and involved and there is no reason why some such step should not be taken. I am not one to believe the country is ready for Government ownership of railroads, nor that we are near it, but undoubtedly we are approaching it slowly and it is very necessary that something be done to offset that tendency and to prevent the people from trying such an undesirable experiment.

"Complete Federal control, it would seem to me, would be in the best interest of all concerned: the shipper, the carrier and the public. The method and details of such control offer subjects for exhaustive investigation and consideration, and without commenting on the details submitted by the 'Philadelphia Plan,' I feel it my duty to commend the proposition as a whole. I congratulate the Joint Committee on the progress it has made."

T. NOEL BUTLER,

Secretary of the Commercial Traffic Managers of Philadelphia, and Traffic Manager of Wistar, Underhill & Nixon, lumber manufacturers and wholesalers, Philadelphia.

"That there is great need of a more simplified method of regulating interstate carriers can hardly be questioned, at least by any one who had dealt with such matters and who has knowledge of the confusion and conflict attending the present system of dual jurisdiction. It practically amounts to an intolerable situation that, when fully realized by the public, ought not to be very difficult of correction, and the work of your Joint Committee seems to be what is most needed to arouse interest and promote action. As to the specific reforms offered by the Philadelphia Bourse, I do not feel competent to criticize, although they appear to be logical and workable."

DAVID A. BELDEN,

President of the Massachusetts Northeastern Street Railway Company, Haverhill, Mass.

"System of dual control is crude and unsatisfactory. State control of rates in Texas has for twenty years made it impossible for interstate merchants to do business there. State control is illogical and liable to be utterly unfair and discriminatory. From the railroad standpoint, it is almost impossible to get revisions of rates made sanely."

NEW ORLEANS JOINT TRAFFIC BUREAU.

"The writer desires to go on record as being heartily in favor of such a proposition ('Philadelphia Plan'), it tending not only to simplify tariff issues but all matters connected with railroad operation and the handling of all matters in connection with railroads. Any undertaking such as this, which tends to simplify any particular item without eliminating any of its effectiveness is creditable and should positively be supported by every thinking individual."

H. M. FRAZER,

Traffic Manager of the Louis K. Liggett Company, New York City, operating the Riker-Hegeman-Jaynes and Liggett's Drug Stores.

"My experience has been that individual State regulation is largely a farce because of the constant friction between the State commissions, the carriers and the Federal Commission. Petty politics injected into the regulation of a transcontinental railroad through the medium of a local Commission does not usually mean higher operating efficiency, better returns for the stockholders of that road or the highest measure of service to the public. \* \* \* \* \* While it may be a difficult matter to change existing conditions, I most certainly approve of any effort that would tend to eliminate the inconsistencies that hinder and complicate the administration of the biggest business in the United States."

O. C. GARLINGTON,

Traffic Manager of the Missoula Mercantile Company, Missoula, Mont.

" \* \* \* \* \* The general proposition for the Federal incorporation of railroads is worthy of serious consideration. Practically all the railroads in the country are engaged in interstate commerce in the sense of being its chief agency for transportation and delivery. In most cases, wholly local traffic, or traffic wholly within one State, is incidental and contributory and the mingling of authority in regulation is embarrassing and sometimes costly. \* \* \* \* \* There is no lack of constitutional authority, though statutory authority is sometimes lacking in contested cases. The opinion is gaining ground among railroad men as well as shippers that Federal incorporation of railroad companies any part of whose business is interstate would simplify matters and be a national advantage without necessarily impairing any legitimate State interest."

Editorial on activity of Philadelphia Joint Committee  
and the Bourse plan in the *New York Journal of  
Commerce*, April 11, 1916.

"We think a system of reasonable regulation of the railroads would be very desirable and the scheme outlined by your Committee appeals to us as being in the right direction. Whether it is feasible, whether political considerations can be set aside and a public opinion favorable to the project can be worked up, is a problem of considerable magnitude."

J. D. HASHAGEN,  
Traffic Manager of the American Glue Company, Boston, New York, Philadelphia, Chicago and St. Louis.

"I believe most heartily and unequivocally in the exclusive regulation of all interstate business by the Federal Government. It seems apparent to those who have seen the increasing gravity of the problem that unity and order must be obtained for interstate business to replace the present chaotic conditions or the nation will inevitably fall into second place as a consequence of the lack of coordination of our political forms to the unification of business which has been a fact for nearly half a century.

"Whether we like it or not, business has become centralized and it needs to be relieved of local government regulation. The need is felt not only by large business. \* \* \* \* \* In a final word, 'We, the People of the United States,' should adjust the political details of our Government in conformity to the established truth that for all economic purposes we are a single nation and not a confederation of independent States."

SAMUEL DAVIS,  
Insurance law expert, Boston, Mass.

"This Federal control of the carriers has always appealed to me, especially when the carriers disregarded precedent, Interstate Commerce Commission arguments and decisions because the particular shipment was intrastate. This is a favorite pastime of many freight agents."

E. H. BRILL,  
Traffic Manager of the Hires Condensed Milk Company, Philadelphia.

"The same authority should control all rates in order that rate making may be harmonious and symmetrical. \* \* \* \* \* It is, it seems to us, evident that the establishment of this power in the Interstate Commerce Commission will make necessary a division of the board into local or zone boards, resident in their respective districts but at the same time components of the general board at Washington. In this way local interests will be ensured a fairness which they cannot get under the existing organization, which offers a premium to the shrewdest advocates. The members of the general board located in Washington could specialize on legal questions and aspects—expecting the district members to place facts before them as determined by hearings on the spot. Possibly the 'Philadelphia Plan,' several times mentioned, furnishes the best basis for consideration. We are only stating general conclusions or a diagnosis here—not a definite prescription."

Editorial in the *Railway Review*, August 26, 1916.

"I have examined the pamphlet of the Joint Committee with the greatest interest and am very much in accord with the general view which you take of the situation, and it seems to me that the consolidation of the regulation of railroads in the hands of the Interstate Commerce Commission is most desirable and that unless something of this kind is accomplished we are well on the road toward Government ownership."

BLEWETT LEE,

General Solicitor of the Illinois Central Railroad Company, Chicago, Ill.

"I am disposed to believe that business is over-regulated today. Railroads and other corporations engaged in nation-wide commerce are subject to the conflicting laws and administrative regulations of 48 States as well as of the Federal Government. These 49 masters have continued to pour out a stream of new laws and regulations. Has not the time come in the interests of the public and of business alike to permit corporations engaged in interstate commerce to take out and operate under charters and laws of the Federal Government?"

DR. J. T. HOLDSWORTH,

Dean of the School of Economics, University of Pittsburgh.

"We believe that exclusive Federal regulation and the abolition of the jurisdiction of State commissions, with their conflicting regulations and requirements, would be the only solution of the present conflicting conditions of traffic, and we also believe that the rate-regulating power should be accompanied by the power to regulate questions of expenditures and the requirement that wage disputes be submitted to the same tribunal that controls rates. In our opinion, to expect proper regulation and have a division of power is inconsistent and illogical."

W. W. OLINGER,

Traffic Manager of the Richardson Paper Company, Lockland, Ohio.



"I am heartily in accord with every feature of the plan suggested by the Philadelphia Bourse for remedying the deficiencies of the present organization and believe that it will come nearer solving the difficulties that confront us than any other plan I have yet seen."

H. G. HERBEL,

General Attorney and Interstate Commerce Commission Counsel for the Missouri Pacific Railway and the St. Louis, Iron Mountain and Southern Railway, St. Louis, Mo.

"A number of instances have come under my observation where State-compelled rates have wrought havoc with the integrity of an interstate rate structure."—*Personal and Unofficial opinion of*

C. H. TIFFANY,

Traffic Manager of the New England Paper and Pulp Traffic Association, Boston, Mass.

"The present system of railroad regulation must be changed. It is inadequate to perform what is required of it and it frequently proves itself incompetent in what it does perform. \* \* \* \* If the Philadelphia Bourse shall succeed in arousing and concentrating business opinion of such a plan as this, it will achieve material advantage, not so much for the railroads as for the shipping interests which this organization represents and which are the real sufferers when the railroads are tied up by improper and incompetent regulation."

Editorial in the *Philadelphia Evening Bulletin*, March 28, 1916.

"We fully agree with you that the conflict between State and Federal regulation should be removed and can see no objection to be urged against the plan shown in the Joint Committee's report."

B. R. SHEPHERD,

Traffic Manager of the Chattanooga Sewer Pipe and Fire Brick Company, Chattanooga, Tenn.

"We are heartily in favor of the general proposition looking toward centralized Federal control of the railroads."

HENRY A. PALMER,

Editor of the *Traffic World*.

"We believe that anything that is done which will result in simplifying and centralizing the regulation of common carriers will be to the interest of the country. We believe that the services of these common carriers providing avenues of interchange between communities affect vitally business interests in all parts of the country and that State regulation can not possibly cope with a

situation as general as this and do justice to the interests involved. This being true the solution of the problem seems to be in the enlargement of the Interstate Commerce Commission so as to permit them to deal with this larger situation with equity and dispatch. \* \* \* \* Most certainly their authority should not be limited so that they would not be in a position to insist on carriers providing proper equipment for the safe transportation of lives and property."

WILLIAM MARTIN,

Traffic Manager of the Philadelphia Quartz Company, Philadelphia, Kansas City, and New Orleans.

"I think it is demonstrable that the present multiple regulation of railroads is wasteful and unduly burdensome and as much against the best interests of the shippers and the public generally as it is against the interests of the railroads."

H. A. SCANDRETT,

Interstate Commerce Attorney of the Union Pacific System, Chicago, Ill.

"I wish to say that the way outlined ('Philadelphia Plan') in my opinion would be the proper form of regulation."

W. C. DIETZ,

Traffic Manager of the Bridge & Beach Manufacturing Company, St. Louis, San Francisco, and Portland, Ore.

"For a long time my mind was divided between the plan of having district commissions and the plan of organizing subordinate bureaus of the (Interstate Commerce) Commission to deal with specified subjects; one of them, for instance, with operating matters; another of them, the regulation of the issuance of securities, etc. It goes without saying that an expression from such a body as yours was bound to produce a considerable impression on the mind of any one who was studying this subject as I have been for several years."

SAMUEL O. DUNN,

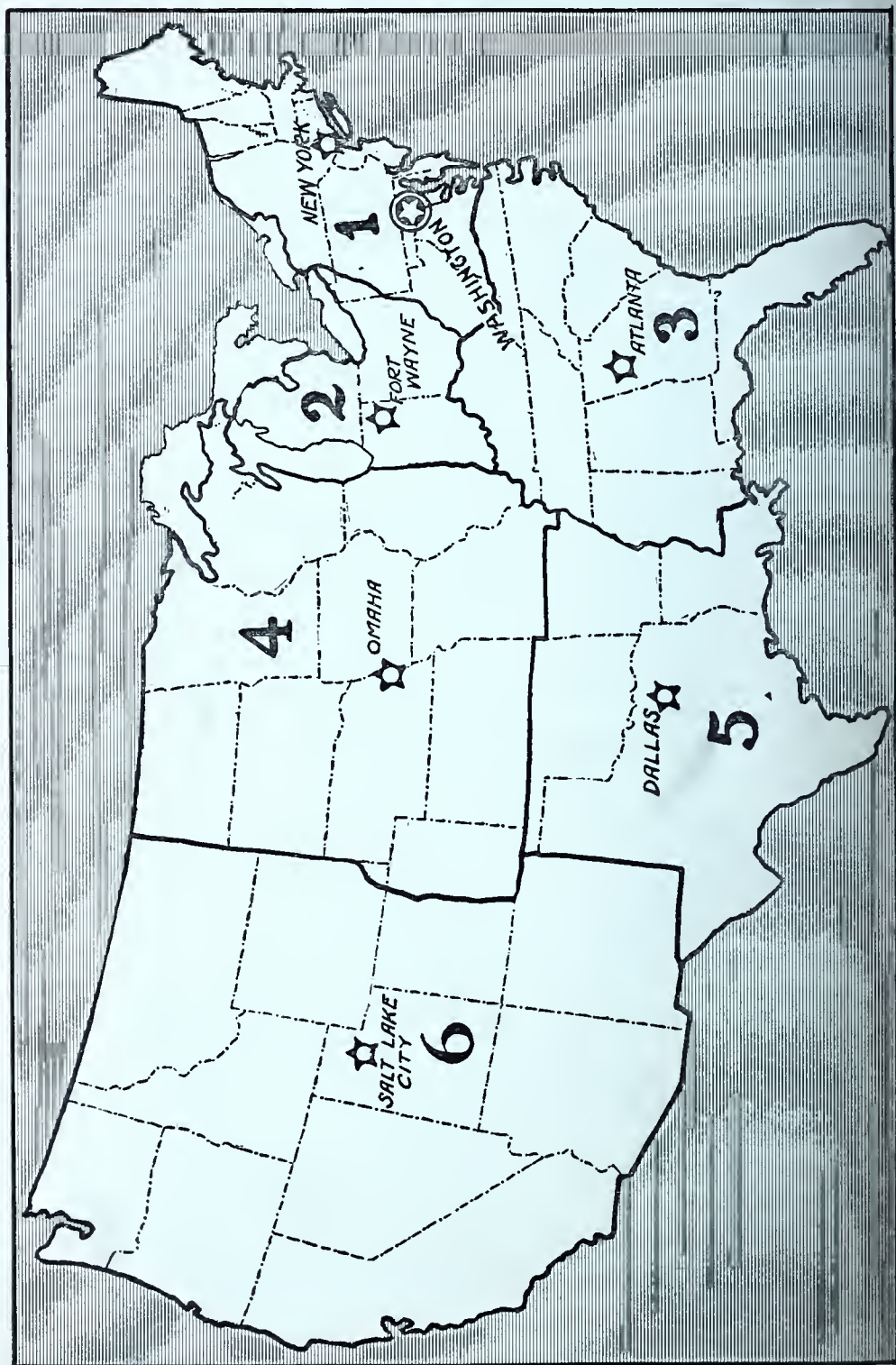
Editor of the *Railway Age Gazette*. (In explanation of his declaration for district commissions.)

"My personal view is that your organization deserves much credit for initiating an investigation which is of such wide and substantial importance to the country at large, and I trust that the final results of your labors will be mutually beneficial to all interests concerned."

L. E. CHALONER,

Chairman of the Southeastern Freight Association, Atlanta, Ga.





SHOWING BOUNDARIES OF THE SIX REGIONS WITH SEATS OF THE REGIONAL COMMISSIONS.

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